



# **BERMUDA PUBLIC SERVICES UNION**

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*“Onward and Upward Together”*

January 25, 2015

## **President’s Report to Members Re: Furlough Days**

I write to you to inform of the steps your Union has taken to represent your best interest and to explain the current impasse that confronts us. As many will know, the Union launched a campaign against the Public Bodies Reform Bill and its contents. The Bermuda Trade Union Congress (“BTUC”) shared an equal position and requested a meeting with the Premier and his Cabinet colleagues. The meeting was held on October 16, 2014. At the meeting, the BTUC articulated its opposition to the proposed legislation and its willingness to assist the Government in developing a multi-year deficit reduction strategy. Dialogue ensued and it was collectively decided that the BTUC and the Government would work together, forming a working group to assist the Minister of Finance in achieving his desired 5 percent reduction in expenditure for the 2015/16 fiscal period. The BTUC was then informed, in correspondence on October 26, 2014 from the Head of the Civil Service, that because of the collaborative effect to take place, the Government would defer the tabling of the Public Bodies Reform Bill in the next legislative session.

The BPSU, in readiness for the working group talks, requested that every Government Department meet collectively amongst themselves and submit recommendations on ways in which the Government could reduce expenditure and increase the amount of revenues collected. A vast amount of recommendations were received. The Political Action Committee of the BPSU collated the recommendations into a proposal that ultimately would be presented to the working group. The final draft of the proposal ranged between \$65-85 million in cost saving and contained about a dozen substantial revenue generating ideas.

The first working group meeting was held on November 19, 2014. The composition of the working group included representatives from each public sector union within the BTUC, the Cabinet Secretary, the Head of Civil Service, the Financial Secretary, one technical officer, an administrative officer and three hired Government consultant negotiators. In the first meeting, the Terms of Reference were discussed and it was agreed that the group needed to collectively find \$67 million in cost savings. The target on the document was originally \$47 million, however it was discovered that the removal of the furlough day was not factored in.

In the following meetings the Unions presented their proposals, the Government officers vetted the proposals and after all the cost saving recommendations were presented the Government Officers concluded that it would be practical to realise about \$37 million of the proposed cost savings. The Unions then suggested that the Government bring forth their estimated cost savings submitted from Departmental Budgets. It was not until the December 17, 2014 Working Group

meeting that the Government finally submitted their estimates. The Government presented the collective estimated savings submitted by all Departments. The collective effort of all Departments equated to a meagre \$5 million in savings. The members of the BTUC were furious as we expected savings closer to the \$46 million that the Minister of Finance requested. The Government Officials also indicated their displeasure with the collective effort from the Departments. That meeting ended with the Government Officials supposedly going back to the Departments for further cuts. It should also be noted that the three negotiators sat as observers throughout the majority of the process and never once recommended any cost savings proposals.

On January 8 2015, the BTUC was informed by letter from the Cabinet Secretary that the meeting of the December 17, 2014 was the last meeting of the Working Group and that talks had concluded. The letter also informed the members of the BTUC that they will be contacted by the negotiators to continue talks. The BTUC, angered at the correspondence, drafted a letter requesting to meet with the Premier and Minister of Finance. The meeting was held on January 14, 2015. At the meeting, the BTUC stated our displeasure with the process and the abrupt way in which talks concluded. We also sought clarity on why we will be contacted by their negotiators for talks, we believed if the negotiators had something to say that the working group meeting was a perfect time to share their proposals.

In the meeting, members of the BTUC articulated the following:

- That members of the BTUC came to the table as honest genuine brokers.
- That the members of the BTUC worked hard to formulate proposals.
- That the vast majority of estimated cost saving emanated from the BTUC members' submissions.
- That some proposal items need further ratification from the membership of the respective BTUC affiliate Unions.

To these points, the Premier and Minister of Finance expressed their appreciation and recognised the efforts that the Unions had made. However, after acknowledging the points, the Minister of Finance then indicated that the group was still short of its target savings. The members of the BTUC acknowledged that point and raised the following points:

- The cost savings was not achieved because only the BTUC came forward with meaningful savings.
- We queried whether the 5 percent saving was actually realistic to achieve.
- We queried whether the Minister of Finance had done any analysis to indicate which areas of spending could actually be reduced.

There was no rebuttal to our point on the other stakeholders bringing minimal information to the table and our queries went unanswered. The Minister of Finance then explained that the expenditure targets were not solely his position but a demand of his creditors.

Recognising the impasse, the Premier asked if the continuation of furlough days would be possible. The President of the BIU replied that continuation of furlough days will not come easy. He stated that furlough days end March 31st 2015 and for the BTUC to ask their members to

continue furloughs was not something he was prepared to do. His sentiments were shared by the other BTUC members at the table. The BPSU General Secretary then pointed out that the reasons we conducted this exercise was to protect wages and jobs, and continuation of furlough days defeat the whole purpose. The meeting ended shortly thereafter and the Premier said that he will discuss the contents of the meeting with his team and contact the BTUC soon after.

The following morning I participated in a conference call with the Premier, the Cabinet Secretary and the President of the BIU. The Premier thanked us for the open and frank dialogue and said that Government was looking into some of the additional cost savings initiatives that were discussed in the meeting the day before. There was no mention of a desire to continue furlough days in the short telephone exchange. There was no formal correspondence after that conversation.

On January 23rd, the members of the BTUC were handed letters. The letters were addressed to the President of the BIU in capacity as 1st Vice President of the BTUC from the Minister of Finance. The letter stated:

The Government is grateful for the collaborative work of the Bermuda Trade Union Congress, as part of the Budget Reduction Working Group, to find savings in Expenditure for the 2015 – 2016 budget. Your efforts realized proposals for savings of approximately \$35 million. Based on the Government's agreement to the Working Group's proposals on an early retirement programme, a freeze on hiring (with exceptions) and reductions in rates of overtime, a further \$5 million is estimated to be saved in addition to the amount recognized by the Working Group. Clearly, this collaborative approach has been fruitful, realizing an estimated \$40 million, and the Government is appreciative of your willingness to work together for the good of Bermuda

As you are aware, in an effort to improve Bermuda's fiscal condition, the Government has established a Medium Term Expenditure Framework, which requires us to reduce our Government expenditure by 7%, 5% and 3% in successive years. In order to achieve the necessary targets, the savings achieved in each year must be maintained in the next years. You would be keenly aware that the 7% reduction achieved for the current budget year was only achieved with the inclusion of a furlough day for Government employees. It is imperative that this furlough be continued in order for Bermuda's financial health to be improved in accordance with the Medium Term Expenditure Framework.

You would also be aware that the Government is required to present a budget to Parliament, have it debated, and approved by both Houses of the Legislature in order for any funds to be expended after 31<sup>st</sup> march, 2015. To be clear, unless a budget is approved as described by the deadline, the Government will not be able to operate, requiring all services to be suspended and all staff to be sent home, unable to be paid.

In order to meet the 31<sup>st</sup> March, 2015 deadline, the budget development process must conclude with immediacy. To this end, we invite you to reconsider your position with regard to continuation of the furlough. If you are unable to agree to continue the furlough, the Government will be forced to take steps to achieve the necessary reduction in expenditure for 2015-2016. Such measures could include a reduction in salaries of Government Employees equal to the savings achieved in the current financial year by the furlough.

We invite you serious consideration of this position and look forward to hearing from you as soon as possible. Given the urgency of the matter we respectfully request a decision on Monday, 26<sup>th</sup>, 2015 at 12:00 pm. (noon).

Sincerely,

The Hon. Everard T. Richards, JP. MP.  
Minister of Finance

As a result of the unreasonable demand from the Minister and the threat of taking the members' pay after all the hard work that the BTUC have done to help the Minister, the BTUC decided to call a mass meeting to:

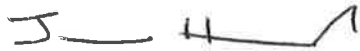
- inform all workers affected on the nature of the talks, and
- provide the Minister Of Finance with his requested decision.

The BPSU are strongly opposed to the continuation of furloughs due to the following:

1. Health insurance rates are to increase by 19% in April 2015
2. The BTUC have actively participated in a process to help the Government reduce expenditure primarily to avoid pay cuts/ the proposals submitted already contain levels of further sacrifice
3. The Government failed to contribute any meaningful savings to the working group
4. Many members have expressed financial hardship due to furloughs
5. Members have experienced two years of pay freezes and two years of pay cuts since 2010
6. Shared Sacrifice is not shared
7. The Government plans to spend money it does not have on America's Cup and the Airport redevelopment and the Tourism Authority

After the mass meeting on Monday, January 26th, the General Council of the BPSU will determine a date and time to receive further direction from the membership on how to proceed with this matter.

Respectfully Submitted,



Bro Jason P. Hayward  
President